

## Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 NEA-10 IO-13 ADP-00 AID-20 CEA-02

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

OPIC-12 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01 SS-15

NSC-10 PA-03 PRS-01 USIA-12 TAR-02 L-03 H-02 CEQ-02

EPA-04 SCI-06 RSR-01 /189 W  
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P R 082155 Z JUN 73

FM USMISSION OECD PARIS

TO SECSTATE WASHDC PRIORITY 9874

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY HELSINKI

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY MADRID

AMEMBASSY OSLO

AMEMBASSY OTTAWA

AMEMBASSY REYKJAVIK

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

AMEMBASSY VIENNA

AMEMBASSY WELLINGTON

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AMEMBASSY PARIS

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ECOTO 11

FOR THE SECRETARY AND SECRETARY SHULTZ

E. O.: 11652: N/A

TAGS: EGEN, OECD, OVIP ( CASEY, WILLIAM J. AND SHULTZ,  
GEORGE P.)

SUBJ: OECD MINISTERIAL COUNCIL JUNE 6-8: HIGHLIGHTS

1. THIS YEAR'S MINISTERIAL COUNCIL TOOK PLACE AGAINST THE BACKDROP OF ANOTHER FLURRY IN THE EXCHANGE MARKETS AND CONCURRENTLY WITH THE INTERNATIONAL MONETARY CONFERENCE OF THE AMERICAN BANKERS ASSOCIATION, TO WHICH PRESIDENT POMPIDOU HAD UNDERLINED HIS SERIOUS CONCERN ABOUT THE MONETARY SYSTEM. IT WAS FORTUNATE THAT GEORGE SHULTZ WAS HERE AND COULD UTILIZE BOTH MEETINGS TO PROVIDE FORCEFUL REASSURANCES ON THE BROAD RANGE OF US POLICIES DESIGNED TO KEEP INFLATION UNDER CONTROL. HE SPOKE EXTEMPORANEOUSLY TO BOTH GROUPS ON OUR DOMESTIC POLICIES AND TO THE MINISTERS ON THE COOPERATIVE AND FORTHCOMING SPIRIT IN WHICH WE APPROACH THE MONETARY AND TRADE NEGOTIATIONS. WE CIRCULATED HIS FORMAL STATEMENT TO THE OECD MINISTERS - A FINELY TUNED DOCUMENT LAYING OUT OUR OBJECTIVES FOR FOREIGN ECONOMIC POLICY WHICH SHOULD DISPEL ANY DOUBTS ON THE COMMITMENT TO PROCEED AS QUICKLY AS POSSIBLE TO PUT IN PLACE A VIABLE, AND LASTING MONETARY SYSTEM AS WELL AS LAY TO REST THE RECIPROCITY ISSUE BY PLACING THE TRADE NEGOTIATIONS IN CONTEXT OF EXPLAINING WORLD COMMERCE RATHER THAN OF CONTENTION OVER DIVIDING FIXED CAKE. IN HIS WRITTEN STATEMENT AS WELL AS IN HIS ORAL REMARKS, SECRETARY SHULTZ EMPHASIZED THE MAJOR CONTRIBUTION THE OECD CAN MAKE THROUGH CANDID CONSULTATIONS ON INTER-RELATED MONETARY TRADE, AND INVESTMENT QUESTIONS, TO KEEP OBJECTIVE OF OUR OVERALL EFFORT IN VIEW AND TO CONTRIBUTE UNDERSTANDING AND THE WILL REQUIRED FOR THE SUCCESS OF SPECIFIC NEGOTIATIONS.

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2. DISCUSSION OF THESE INTER-RELATED ISSUES WAS MARKED BY TONY BARBER'S STATEMENT THAT TECHNICAL CONSIDERATION OF THE NEW MONETARY SYSTEM HAD GONE AS FAR AS IT COULD AND THAT THE NEXT STEP SHOULD BE MINISTERIAL NEGOTIATIONS IN C-20 IN JULY. THE OTHER MOST IMPORTANT STATEMENT WAS BY GISCARD D'ESTAING WHO SPOKE IN GENERALLY MODERATED TONES

REFLECTING THE SPIRIT OF REYKJAVIK. IN HIS REMARKS ON MONETARY CONDITIONS GISCARD AGAIN SUGGESTED THE US SHOULD INTERVENE TO DEFEND THE MARCH EXCHANGE RATE STRUCTURE WHICH HE TERMED REALISTIC. HE USED RECENT MARKET FLUCTUATIONS WHICH HE CALLED IRRATIONAL AS AN EXAMPLE OF WHY EXCHANGE MARKETS SHOULD NOT BE LEFT TO THE FREE PLAY OF SUPPLY AND DEMAND AND REITERATED CALL FOR FIXED RATES AND CONVERTIBILITY. HE DID NOT MENTION GOLD BUT DECLARED NEED TO STUDY WHETHER SDR MIGHT BE CONSIDERED AS NUMERAIRE FOR MONETARY SYSTEM. IN SIMILARLY MODERATE REMARKS ON THE TRADE NEGOTIATIONS, GISCARD STRESSED THE IMPORTANCE OF A EUROPEAN APPROACH BASED ON EQUITY AND RECIPROCITY AND IMPORTANCE OF HAVING LASTING MONETARY SYSTEM IN PLACE. HE REITERATED FAMILIAR FRENCH THEME THAT HARMONIZATION RATHER THAN LINEAR REDUCTIONS SHOULD BE OBJECTIVE OF TARIFF NEGOTIATIONS BUT NOTABLY MADE NO SPECIFIC REFERENCE TO AGRICULTURE OR TO OTHER OF THE MORE OBJECTIONABLE FEATURES OF THE FRENCH POSITION ON THE EC NEGOTIATING MANDATE.

3. INFLATION WAS THE OTHER PRIME SUBJECT OF THE MEETING AND ALL EXPRESSED SERIOUS CONCERN ABOUT IT. THE MOST ALARMIST STATEMENTS WERE MADE BY THE SMALLER COUNTRIES WHO FELT VICTIMIZED BY INFLATIONARY FORCES ORIGINATING ELSEWHERE OVER WHICH THEY HAD NO CONTROL. THEIR APPEALS FOR CONCERTED INTERNATIONAL MEASURES TO CONTROL INFLATION WERE MET WITH UNDERSTAND, THOUGH NOT FULL ACCEPTANCE, BY THE LARGE COUNTRIES WHICH POINTED OUT THAT THE PROPER POLICY MIX COULD VARY FROM ONE COUNTRY TO ANOTHER AND THE SCOPE FOR EFFECTIVE CONCERTED INTERNATIONAL ACTION WAS LIMITED.

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FM USMISSION OECD PARIS  
TO SECSTATE WASHDC PRIORITY 9875  
INFO AMEMBASSY ANKARA  
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FOR THE SECRETARY AND SECRETARY SHULTZ

4. THE DISCUSSION OF THE ENERGY PROBLEM WAS HIGHLY GENERAL IN CHARACTER. I STRESSED, AS GEORGE HAD AT THE BANKERS' MEETING, OUR STRONG DESIRE TO COOPERATE IN A RANGE OF FIELDS WHICH WE WOULD BE DISCUSSING IN GREATER DETAIL IN THE MORE RESTRICTED HIGH LEVEL OECD OIL FORUM NEXT WEEK, INCLUDING OIL IMPORT SHARING ARRANGEMENTS FOR DEALING WITH SHORTAGES, ISSUES RELATING TO THE INCREASED FINANCIAL RESOURCES OF OIL- PRODUCING COUNTRIES, DIVERSIFYING ENERGY SUPPLY SOURCES, AND ECONOMIZING ON THE USE OF ENERGY . I PROPOSED THAT OECD MIGHT SERVE AS A CLEARING HOUSE FOR INFORMATION ON ENERGY RESEARCH AND DEVELOPMENT OF THE MEMBER

COUNTRIES. VIEWS OF OTHER MINISTERS WERE GENERALLY FORTHCOMING IN EMPHASIZING THE NEED FOR CLOSER COOPERATION AND CONSULTATIONS BOTH BILATERALLY AND MULTILATERALLY AND ON THE NEED TO AVOID CONFRONTATION.

5. THE DISCUSSION OF COOPERATION WITH DEVELOPING COUNTRIES WAS CHARACTERIZED BY EXPRESSION OF SERIOUS CONCERN ABOUT WIDESPREAD POVERTY AND UNEMPLOYMENT IN THE LDCS AND THE NEED FOR A MORE INTEGRATED APPROACH BY DEVELOPED COUNTRIES ESPECIALLY THROUGH THE OECD WHICH IS UNIQUELY SUITED TO BRING TO BEAR CONSIDERATIONS OF AID, TRADE, AND INVESTMENT POLICIES IN PROMOTING LDC DEVELOPMENT. I EMPHASIZED THAT OUR EFFORTS WOULD TAKE ALL OF THESE FACTORS INTO ACCOUNT AND STRESSED THE FACT THAT INCREASING THE VOLUME OF ASSISTANCE IS RELATED TO INTERNATIONAL MONETARY AND TRADE EQUILIBRIUM AND ON EXPANDING DOMESTIC ECONOMY.

6. MINISTERS SPOKE APPROVINGLY OF THE INTERESTING AND INNOVATIVE WORK THE OECD IS DOING ON QUESTIONS RELATED TO THE QUALITY OF LIFE, ENVIRONMENT, AND SOCIAL INDICATORS AND URGED THAT IT BE CONTINUED APACE.

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7. WE WERE SUCCESSFUL IN GETTING LANGUAGE IN THE FINAL COMMUNIQUE CONSONANT WITH OUR INTERESTS IN THE MAJOR AREAS DISCUSSED ABOVE. IN THE COMMUNIQUE MINISTERS RECOGNIZED THAT ISSUES RELATING TO NEGOTIATIONS ON MONETARY, TRADE, AND INVESTMENT ISSUES ARE INTERRELATED, AND THEY REAFFIRMED THE ROLE OF OECD IN HELPING KEEP THE OVERALL OBJECTIVES OF THIS EFFORT IN BALANCE IN CONTRIBUTING TO THE UNDERSTANDING AND WILL NECESSARY TO THE SUCCESS OF THE SPECIFIC NEGOTIATIONS.

CASEY

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